

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

752 Pa
2

202

FOR RELEASE
FEB. 13

THE

Demand and Price

SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON D. C.

BAE

JANUARY 1949

Approved by the Outlook and Situation Board, February 3, 1949

CONTENTS			
	Page		Page
Summary.....	1	Corn and Other Feed.....	13
The President's Budget Message.....	3	Wheat.....	13
Output and Employment.....	4	Fruit.....	15
Income and Related Factors.....	5	Commercial Truck Crops.....	15
Commodity Prices.....	5	Potatoes and Sweetpotatoes....	16
Farm Income.....	9	Cotton.....	17
Livestock and Meat.....	10	Wool.....	17
Dairy Products.....	10	Tobacco.....	18
Poultry and Eggs.....	11	Sugar.....	19
Fats, Oils and Oilseeds.....	12		

SUMMARY

Although economic activity continues at a high level, there has been some easing off from earlier records. Industrial production has slackened a little, partly reflecting reduced demand for some consumer goods. Unemployment rose more sharply from December to January than in any month since the end of the war. Employment, after a somewhat more than seasonal drop, was still higher than in January 1948.

Wholesale commodity prices continued to decline in January. Since mid-August the all-commodity index has dropped 6 percent with farm products down 12 percent and foods 15 percent. The index of non-agricultural commodities has been practically unchanged. The drop in retail prices generally has averaged 2 percent but retail food prices have declined about 6 percent.

Current declines in prices, production and employment are somewhat similar to those of early last year. From January to February 1948, wholesale prices dropped 4 percent, almost all of which was due to declines in farm products and foods. Consumer expenditures leveled off and unemployment was up. However, declines in prices and output were reversed in the spring of 1948 by the third round of wage increases and the reduction in income taxes, which increased consumer incomes and expenditures; and by large Government appropriations for National Defense and foreign aid.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1947		1948			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production <u>1/</u>	1935-39						
Total.....	=100	187	192	192	195	195	192
All manufactures.....	do.	194	198	199	202	201	198
Durable goods.....	do.	220	230	224	230	229	228
Nondurable goods.....	do.	172	173	178	179	178	174
Minerals.....	do.	149	156	156	158	161	156
Construction activity <u>1/</u>	1935-39						
Contracts, total.....	=100	274	343	336	321	329	
Contracts, residential.....	do.	348	395	404	385	377	
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	152	163	169	165	164	162
All commodities except farm and food.....	do.	135	146	153	153	153	153
Farm products.....	do.	181	197	190	184	181	177
Food.....	do.	169	178	187	178	174	170
Prices received and paid by farmers <u>3/</u>	1910-14 =100						
Prices received, all prod.....	do.	278	301	290	277	271	268
Prices paid, int. & taxes.....	do.	231	245	250	249	247	247
Parity ratio.....	do.	120	123	116	111	110	109
Consumer's price <u>5/ 6/</u>	1935-39						
Total.....	=100	159	167	174	174	172	171
Food.....	do.	194	207	215	212	208	205
Nonfood.....	do.	140	145	152	152	152	152
Income							
Nonagricultural payments <u>4/</u>	Bil.dol.	174.9	184.2	192.5	192.6	193.1	
Income of industrial workers <u>5/</u>	1935-39 =100	332	364	380	378	375	
Factory payrolls <u>5/</u>	do.	353	389	407	407	402	
Weekly earnings of factory workers <u>5/</u> :							
All manufacturing.....	Dollars	49.25	52.69	54.18	54.50	54.47	55.01
Durable goods.....	do.	52.45	56.48	57.90	59.13	58.53	59.32
Nondurable goods.....	do.	45.87	48.72	50.38	49.68	50.17	50.42
Employment							
Total civilian <u>7/</u>	Millions	58.0	57.9	60.3	60.1	59.9	59.4
Nonagricultural <u>7/</u>	do.	49.8	51.0	51.6	51.5	51.9	52.1
Agricultural <u>7/</u>	do.	8.3	7.0	8.7	8.6	8.0	7.4
Government finance (Fed.)							
Income, cash operating.....	Bil. dol.	3,909	4,037	4,713	2,319	3,234	
Outgo, cash operating.....	do.	3,431	3,526	3,275	2,855	3,509	
Net cash opr. income or outgo.....	do.	+478	+510	+1,438	-516	-275	

Annual data for the years 1929-47 appear on page 17 of the March 1948 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census. 8/ U. S. Dept. of Treasury. Data for 1947 are on average monthly basis.

While prospects do not point to the sort of upsurge that occurred last year, the high level of government expenditures is an important supporting element to the economy. The increase in government outlays projected in the President's Budget Message, if appropriated by Congress, will be large enough to maintain overall activity close to present levels even if private spending should decline moderately.

Commodity highlights

Total production of meat in the first quarter of 1949 will probably be a little less than a year earlier. Prices of most meat and meat animals in the next month or two may rise moderately. Storage demand for dairy products in the first half of this year, when much of the into-storage movement usually occurs, is expected to be considerably weaker than last year. Egg production in the first six months of 1949 may be as large as in the same period a year ago, and prices not much different.

Further seasonal gains in feed grain prices are expected in the first half of this year. Corn prices, at the farm, in mid-January were 19 cents below support. Prices of wheat were slightly above the support level. Wholesale prices of major fats and oils in January were 24 percent below the October 1947-September 1948 average. Production of soybean, cottonseed, corn and peanut oils in the 1948-49 season may total 10-15 percent more than the 1947-48 season record. Prices of most fruits this winter are expected to continue slightly higher than a year earlier, mainly because of smaller supplies.

Strong domestic demand for wool and the higher replacement cost of foreign wool have resulted in a sharp reduction in stocks in the United States. Domestic mill consumption of cotton so far this season has been almost 7 percent below a year earlier. However, exports have about doubled as a result of increased takings by ECA countries. Almost all of the 1948 Burley tobacco crop was sold by the end of January at prices averaging slightly less than the record received for the 1947 crop.

The President's Budget Message

The Federal budget presented by the President to Congress on January 7, estimates budget expenditures of 41.9 billion dollars for the fiscal year ending June 30, 1950 compared with 40.2 billions in fiscal 1949 and 33.8 billions in fiscal 1948. Expenditures for the National Defense are expected to increase from 11.7 billions in the current fiscal year to 14.3 billions in fiscal 1950. Expenditures for International Affairs (including the European Recovery Program) are expected to decline from 7.2 billions to 6.7 billions in 1949-50. Budget expenditures for National Defense, International Affairs, Veterans Services and Interest on the Public Debt account for more than three-fourths of the total. Expenditures other than these are expected to increase from 9.1 billions in fiscal 1949 to 10 billions in fiscal 1950. Additional funds of undetermined amount may be requested to provide for military aid to Western Europe.

If these appropriations are approved by the Congress, Federal cash payments in calendar 1949 will increase for the second straight year. From the end of the war until 1948, these payments declined. The annual rate of federal cash payments to the public, seasonally adjusted, rose from 35.1 billions in the first half of 1948 to 38.7 billions in the second half. For calendar 1949, they are estimated at 44.3 billions, with a steady growth during the year. Cash payments will exceed budget expenditures this year largely as a result of payments from government trust accounts, such as the scheduled insurance premium refunds to veterans.

The increase in Federal expenditures expected this year would be an important force in the domestic economy. It would be large enough to offset a moderate decline in private spending and still maintain overall activity close to present levels. In some industries, such as the metals, the impact of the growing defense program may cause prices to rise further.

Expenditures for the European Recovery Program and other foreign aid are expected to be larger in calendar 1949 than last year. This is likely to maintain an important outlet for our increased supplies of export farm products.

OUTPUT AND EMPLOYMENT

Activity declined in many industrial groups in December. This reflected reduced demand for some non-durable goods and smaller automobile production resulting from model changeovers. The Federal Reserve Board's index of total industrial production, seasonally adjusted, was 192 (1935-39=100), 3 points below November and the same as December 1947. Monthly output for the year 1948 averaged 192, 5 points above 1947 and a new peacetime high. Production during 1948 fluctuated within the relatively narrow range of 9 points. The year's low of 186 was set in July when many plants shut down for vacations. The peacetime high of 195 was reached in October and November.

Activity in durable goods industries in December was slightly lower than in November. Continued record rates of output in the steel industry failed to offset the decline in motor vehicle production and drops in output of machinery and lumber and products. The index of durable goods production, seasonally adjusted, declined to 228 in December, 1 point below November and 2 points below December a year earlier. Output for 1948 as a whole averaged 225, 5 points above 1947 and the highest peacetime level in history. Motor vehicle output during the year reached an estimated total of 5.3 million units, only 300,000 units below the record of 1929. Production of steel totaled 88.5 million tons in 1948, a new peacetime record.

Nondurable goods output declined 2 percent in December. The index of nondurable goods output, seasonally adjusted, dropped to 174, below November by 4 points but 1 point above December 1947. Activity in textiles continued to decline in December and production in the paper and paper products industries fell considerably. For the entire year, output in non-durable goods industries averaged 177, 5 points above 1947. Except for rather sharp declines in July and December, activity in these industries moved within a range of only 3 points.

Production of minerals was also off in December as coal output declined sharply. The seasonal adjusted index of minerals output declined to 156, down 5 points from November, and the same as December 1947.

Total civilian employment declined to 59.4 million persons in December as a result of a seasonal decline in agricultural employment. This was about 500,000 fewer than in November, but 1.5 millions greater than December a year earlier. Nonagricultural employment increased by about 200,000 persons from November to December to 52.1 millions, 1.1 millions greater than in December a year earlier. However, the gain was less than seasonal. Unemployment in December rose slightly to 1.9 million persons, 100,000 greater than November and 300,000 greater than December 1947.

INCOME AND RELATED FACTORS

The seasonally adjusted annual rate of personal income was 216.7 billion dollars in November, 1.1 billions greater than in October and 15.3 billions greater than in November 1947. Increases in non-wage income accounted for most of the increase in the total from October to November.

Salary and wage receipts remained virtually unchanged from October. In November, they were at an annual rate of 135.2 billion dollars, 9.2 billions above November 1947.

After lagging behind a year ago for six consecutive weeks, dollar sales at department stores recovered sharply the week ending December 25. As a result, daily average sales for December were up 7 percent from November and 1 percent from December 1947. The index of dollar sales seasonally adjusted was 307 in December, compared with 287 in November, the record of 316 in July, and 303 in December 1947. In the first half of January, department store sales averaged 7 percent above the same period a year ago.

COMMODITY PRICES

December was the fourth consecutive month in which the general level of commodity prices was below that of the previous month. The BLS index of wholesale prices fell to 162.3 in December, 1 percent below November and 4 percent below the peak reached in August. Prices of farm products and foods continued to account for most of the decline. However, prices for industrial products, as a group, declined slightly from November to December, the first drop since February 1948. The decline reflected continued weakness in prices of textile products along with slight declines in prices of house furnishings, building materials and hides and leather products.

As indicated by the weekly index, the decline in prices carried through January. From late December to January, all commodity prices declined 2 percent, both farm products and foods dropping about 5 percent. Textiles, and fuel and lighting materials also weakened but were completely offset by the continued rise in prices of metals and metal products.

Table 1.- Group indexes of wholesale prices, week ended January 18, 1949, with comparisons

(1926 = 100)

Group	:	:	:	:Week ended Jan. 18,	
	:	:	:	:1949, percentage	
	:	Week	Week	Week	:change from
	:	ended	ended	ended	: Week : Week
	:	Jan. 18,	Dec. 21,	Jan. 20,	ended : ended
	:	1949	1948	1948	: Dec. 21, : Jan. 20,
	:	:	:	:	: 1948 : 1948
All commodities	:	159.3	162.5	166.5	- 2.0 - 4.3
Farm products	:	170.1	179.4	201.1	- 5.2 - 15.4
Foods	:	161.9	170.0	180.1	- 4.8 - 10.1
All other than farm and food	:	153.0	152.8	148.9	+ .1 + 2.8
Textile products	:	144.2	145.2	148.6	- .7 - 3.0
Fuel and lighting materials	:	137.1	137.5	130.4	- .3 + 5.1
Metals and products	:	175.3	173.7	154.2	+ .1 + 13.7
Building materials	:	201.8	201.6	194.7	+ .1 + 3.6
All other	:	133.6	133.5	140.4	+ .1 - 4.8

Compared with mid-January 1948, the overall level of commodity prices was down 4 percent. Prices of farm products and foods were down most, while prices of metal and metal products and fuel and light materials showed the greatest increases from those of a year earlier.

Current price movements are somewhat similar to those of February 1948, although the current decline is somewhat greater and has taken place over a longer period. Table 2 compares the two declines in the weekly all-commodity price index from the peaks of January and August 1948.

The all-commodity price level of 159.3 in late January 1949 was slightly lower than the low point of 159.9 in February 1948. Wholesale prices of farm products and foods in mid-January were under the lows of early last year but industrial commodities (other than farm and food) averaged higher. Following the February break, prices of foods and industrial commodities advanced to new highs. Prices of farm products also recovered substantially, but not to the January peak.

Since mid-August, wholesale prices of farm products have declined 12 percent compared with a 10 percent decline in January-February 1948. Wholesale food prices have dropped 15 percent compared with the earlier decline of 7 percent. Industrial product prices, as a group, were not significantly affected in either case.

Table 2.- Comparison of wholesale price declines, January-February, 1948
and August 1948 - January 1949

(1926 = 100)

Group	Week ended Jan. 13, 1948	Week ended Feb. 17, 1948	Per- centage decline %	Week ended Aug. 17, 1948	Week ended Jan. 18, 1949	Per- centage decline %
All commodities	166.8	159.9	- 4.1	169.9	159.3	- 6.2
Farm products	203.3	182.7	- 10.1	192.3	170.1	- 11.5
Foods	182.0	170.0	- 6.6	191.0	161.9	- 15.2
All other than farm and food	148.3	147.5	- .5	152.0	153.0	.1

Last spring, the factors which led to a reversal of the downtrend in prices and the leveling off in employment and consumer expenditures were the third round of wage increases and the reduction in income taxes which expanded consumer incomes; and the enactment of the enlarged National defense and European aid programs. In the present situation, developments of comparable magnitude are not likely to occur. Fourth round wage increases this spring are expected to be somewhat less than a year ago. The President has asked for an increase in income taxes for middle and high income groups. The growing rate of Government outlays represents the major influence toward halting or reversing the current downtrend in prices. While prices of livestock and meat, and some dairy products would move up moderately this spring if consumer buying which has leveled off, should again turn upward, the major advance would be made by prices of nonagricultural products. Record crops in 1948, favorable prospects for crop output in 1949, and an improving world food situation generally are likely to prevent any important gains in prices of farm products and food this spring.

Although average prices received by farmers on January 15, remained unchanged from December 15 they were considerably below the all-time peak of January 1948. The BAE index of prices received by farmers was 268, the same as in December, and 13 percent below January a year earlier. Crop prices generally were up 4 percent from December with increases in truck crops, fruit, and feed grains more than offsetting declines in oil-bearing crops and food grains. However, prices of meat animals, dairy products and poultry and eggs declined, bringing the average for all livestock and products 3 percent below December.

Table 3.- Group indexes of prices received by farmers
January 15, 1948 with comparisons

(August 1909-July 1914 = 100)

Group				January 15, 1949	
	Jan. 15,	Dec. 15,	Jan. 15,	Percentage change from	
	1949	1948	1948	Dec. 15, 1948	Jan. 15, 1948
Food grains	232	236	322	- 2	- 28
Feed grains and hay	187	184	318	+ 2	- 41
Cotton	236	239	267	- 1	- 12
Tobacco	412	415	377	- 1	+ 9
Oil-bearing crops	274	283	377	- 3	- 27
Fruit	180	164	135	+ 10	+ 33
Truck crops	282	209	320	+ 35	- 12
All crops	238	228	284	+ 4	- 16
Meat animals	330	339	379	- 3	- 13
Dairy products	275	283	313	- 3	- 12
Poultry and eggs	240	260	231	- 8	+ 4
Livestock and products	295	305	328	- 3	- 10
Crops and livestock and products	268	268	307	0	- 13

Crop prices averaged 16 percent lower than a year earlier, with prices of feed grains, food grains, oil-bearing crops and truck crops off sharply. Prices received for tobacco and fruit, on the other hand, were above those of a year earlier. Average prices received for all livestock and products were 10 percent below January 1948. Declines in prices received for meat animals and dairy products more than offset higher prices for poultry and eggs.

Prices paid by farmers including interest and taxes on January 15 were unchanged from the previous month as the BAE index remained at 248 (1910-14=100) which was revised for December 15. Lower prices paid for most groups of commodities used in living were offset by increases in interest and taxes payable per acre on farm real estate in 1949. Unchanged levels in prices received by farmers and in prices paid by farmers kept the parity ratio (index of prices received by farmers divided by the index of prices paid, interest and taxes) at 108, the same as on December 15, and 14 points below January 1948.

Declining prices of food, clothing and home furnishings also were reflected in a further drop in urban consumers' prices in December. The BLS index was 171.4 (1935-39=100) in December, compared with 172.2 in

November and 167.0 in December a year earlier. The decline since the August peak has amounted to less than 2 percent. Retail prices of food have declined about 6 percent but non-food costs have increased.

FARM INCOME

Farmers' realized net income in 1948 is now estimated at 17.4 billion dollars, 2 percent less than in 1947. Realized net income is the difference between gross income and production expenses. Gross farm income rose 3 percent, to 35.6 billion dollars, but was more than offset by a rise of 8 percent in farm production costs, which totaled 18.2 billion dollars in 1948.

In the first month of 1949, total cash receipts from farm marketings were about the same as a year earlier. Farmers probably received around 2.5 billion dollars from marketings in January, 10 percent less than in December. Prices for products sold averaged the same as in December, and were considerably below a year ago.

Cash receipts from livestock and products were about 1.3 billion dollars in January, 5 percent below December and 10 percent less than in January 1948. Prices of livestock and products averaged a little below the December level and considerably below January of last year. Both marketings and prices of meat animals in January were slightly below December. Cash receipts from meat animals also were lower than last January, largely because of price declines. With a seasonal rise in milk production and prices of dairy products a little lower than in December, dairy receipts in January probably remained close to the December level. They were down a little from January 1948, however, since a rather substantial decline in prices more than offset a slight increase in milk production. In spite of a seasonal rise in egg production in January, total receipts from poultry and eggs were down from December because of lower average prices and the usual post-holiday decline in marketings of turkeys and chickens. Prices were higher than last January, however, and receipts from poultry and eggs were slightly higher than a year ago.

Farmers received about 1.2 billion dollars from the sale of crops in January, 10 percent less than in December but 10 percent above January 1948. Cash receipts from cotton dropped sharply in January, with marketings down seasonally and prices nearly the same as in December. Although prices were lower, cash receipts from cotton were greater than a year ago because of larger marketings. Receipts from tobacco also fell off sharply, and were below a year ago. Cash receipts from wheat were higher than in December, but lower than in January 1948 because of lower prices and smaller marketings. Corn receipts were also above December, and they were greater than a year ago with increased marketings and loans offsetting lower prices. Cash receipts from fruit declined substantially from December with marketings of deciduous fruit falling off seasonally. Fruit receipts were higher than in January 1948, however, reflecting higher prices.

LIVESTOCK AND MEAT

Meat production increased in early January following the holiday lull, but a seasonal decline is likely in the month or two ahead. A little less probably will be produced in the first quarter of 1949 than a year earlier.

Demand for meat relative to consumer incomes appears to be back to the late 1947 level, having readjusted from its extraordinary advance last summer. If demand retains its present position, prices of most meats and meat animals in the next month or two may rise moderately. A seasonal gain in hog prices is likely. Prices of the lower grades of cattle also may increase and those of the better grades may hold fairly steady and then decline seasonally in the spring.

Slightly more meat may be produced in 1949 than in 1948. The increase will begin to appear in the spring months. More hogs will be slaughtered commencing in about April, when the 1948 fall pig crop first moves to market in volume. That crop was 8 percent larger than the 1947 fall crop. Hogs slaughtered in October and later months will be from the 1949 spring pig crop. An increase in the number of pigs saved this spring was indicated by farmers' intentions, reported last December, to keep 14 percent more sows than farrowed last spring.

A larger output of better grade beef this year than last will result from the current activity in cattle feeding. More cattle were on feed this January 1 than in any year on record. In the Corn Belt, where the bulk of the feeding is done, numbers on feed were up substantially from a year ago and slightly above average. For the lower grade beef and for veal, lamb and mutton, the prospect is for less production this year than last.

Unusually severe snowstorms in many areas of the West imperiled herds of sheep and cattle in January, and extensive operations were undertaken to reach and to feed marooned animals. Serious losses may have been reported locally, but their full extent is not known yet. The storms will probably not have much direct effect on marketings of livestock or on meat supplies in the near future, since livestock for slaughter in immediate months ahead will come largely from regions outside the storm area.

DAIRY PRODUCTS

In early January, prices of milk for fluid use declined slightly and prices of nonfat dry milk went down substantially. For both items the decline was partly seasonal, though the suspension of Government buying was an important factor in the decline for dry milk. Prices for butter and cheese declined moderately in January. In mid-January the index of prices received by farmers for milk and milk products was 12 percent below a year earlier.

Consumer demand for dairy products is likely to be strong through 1949. Storage demand for at least the first half year when much of the into-storage movement normally occurs, will be considerably weaker than last year.

On January 1, stocks of dairy products (milk equivalent) were about 1 billion pounds greater than a year earlier. Milk production in 1949 probably will increase slightly over the 116.5 billion pounds produced in 1948.

As a result of the sharp decline in prices of milk for manufacturing during recent months in contrast to fairly stable prices for milk going into fluid uses, the spread between average prices for milk in the two uses is now the largest on record. On a percentage basis, the spread is the largest since early 1941. At the same time, the proportion of total milk production consumed in fluid form apparently has decreased. The quantity of milk used in major manufactured dairy products during December 1948 was 8 percent larger than a year earlier. This was only the third month since early 1947 to show an increase over the same month of the previous year. In November and December, production of butter, American cheese and dry milk was larger than a year earlier while output of other important items was slightly smaller.

POULTRY AND EGGS

Egg prices declined seasonally from December 15 to January 15. At 47.1 cents per dozen, prices were off 5.7 cents from December and were 1.6 cents under a year earlier. Egg production in December was 8 percent larger than a year earlier and a new record for the month.

The Nation's potential laying flock on January 1, 1949 numbered 416.1 millions, 3 percent fewer than a year earlier. However, the decline is likely to be offset by a continued high rate of lay during the first half of 1949. As a result, farm egg production for the first six months of the year may be as large as in the same period of 1948. Farm prices of eggs will not be much different from those of a year earlier and will be again supported by government purchases.

As a result of record production in the latter months of 1948, output for the year was slightly above that of 1947. Because of a very strong consumer demand, CCC purchases amounted to only 85 million dozen eggs as compared to 225 in 1947. The actual average price was 47.0 cents per dozen, almost 2 cents per dozen higher than in 1947.

With market prices on lighter chickens weaker, but heavier sized steady to stronger, farm prices for chickens averaged 30.7 cents per pound on January 15, the same as on December 15. Smaller supplies were a major factor in maintaining the farm price 4.4 cents above a year earlier.

Cold-storage holdings of poultry other than turkeys and ducks at the start of 1949 were the lowest in 11 years. However, increased marketings of commercial broilers may almost offset the smaller supplies of farm chickens available from storage stocks during the first few months of the year. Record marketings of broilers are expected during the first quarter and prices will be lower.

Turkey prices dropped 2.3 cents to 49.5 cents per pound in the month ending on January 15, 1949. On January 15, 1948, the farm price for turkeys was 38.9 cents per pound. Current marketings continue smaller

than a year ago. The into-storage movement of turkeys from October 1, 1948 to January 1, 1949 totaled 35.6 million pounds, an 18 percent smaller movement than a year ago. Cold-storage holdings January 1 were the lowest since 1944.

Farmers' intentions as of January 1 to purchase poults indicate that numbers of turkeys raised in 1949 may be about 25 percent larger than the 31.7 millions raised in 1948. Since quantity marketings from the new crop will not begin until the third quarter of the year, however, turkey prices are likely to remain relatively high until then.

FATS, OILS AND OILSEEDS

The wholesale price index of 27 major fats and oils declined about 20 points from November to January to a level of about 205 (1935-39=100). This is nearly 70 points below the October 1947-September 1948 average of 274. Most prices of fats and oils declined 4 to 5 cents since November.

Following a large fall and early winter slaughter, a fairly sharp seasonal decline in hog slaughter is expected in the next month or two. However, the seasonal rise in the yield of lard per hog, will offset in part, the decline in slaughter. Lard production during the first quarter of 1949 is likely to be smaller than in the previous quarter and probably about the same as a year earlier. An 8 percent increase in the 1948 fall pig crop indicates a considerable increase in lard production in April-September 1949 compared with the year before. Most of the increase over last year will probably come in the late spring and in the summer. Lard production in October 1949-March 1950, when the 1949 spring pig crop will be marketed, will be substantially higher than in the present season.

Prospects for hog and cattle slaughter indicate that total production of inedible tallow and grease in the first quarter of 1949 will probably remain below a year earlier. However, grease output is expected to rise beginning in the spring; therefore, total production of tallow and grease in April-June 1949 may be about as large as the year before. In the second half of 1949 total production of tallow and grease will probably be considerably above output in July-December 1948. A moderate decline in output of inedible tallow is in prospect, resulting from a further decline likely in cattle slaughter in 1949. This will tend to offset the increase of grease output indicated for 1949.

Production of soybean, cottonseed, corn and peanut oils in October 1948-September 1949 may total 10 to 15 percent more than the record 3.2 billion pounds produced a year ago. Domestic consumption of these four oils in 1947-48 approximated 3.2 billion pounds, while 152 million pounds were exported. This reduced factory and warehouse stocks of these oils 150 million pounds. The October 1, 1948 carry-over amounted to only 242 million pounds, the smallest since 1926. Further reduction of stocks is unlikely in 1948-49. The increase in production of these edible vegetable oils will provide for increased domestic consumption, exports, and/or for addition to stocks. Export allocations of edible fats and oils by February 1, for the October 1948-March 1949 period, plus quantity allocated but not shipped prior to October 1948 indicate that if exports approximate allocations we may ship substantially more lard,

and edible vegetables oils than a year ago. Industrial fats and oils and soap were put under general license February 7. This action virtually removes such commodities from export controls.

CORN AND OTHER FEED

Feed grain prices in January averaged close to the December level, and were 47 percent below the record of January last year. Since last fall, feed grain prices have advanced and some further seasonal gains are expected in the first half of 1949. Prices of some of the oilseed meals have weakened since December, but prices of most other byproduct feeds have been steady. Feed prices generally are expected to continue much lower than a year earlier through the first half of 1949.

Marketings of corn by farmers from the 1948 crop are larger than a year ago and are providing more corn for domestic food and industrial purposes and for export. Furthermore, commercial stocks of corn at terminal markets and interior points increased from 11 million bushels on October 1 to 93 million on January 1.

Stocks of corn, oats, and barley in all positions on January 1 totaled 94 million tons, 55 percent larger than the small stocks last year, and the largest on record, either in total or per grain-consuming animal unit. Stocks of corn totaled over 2.6 billion bushels, exceeding the previous record stocks on January 1, 1943 by nearly 300 million bushels. Carry-over of corn at the close of the current marketing year probably will be very large. Through December farmers had placed about 85 million bushels of 1948 corn under loan.

Domestic disappearance of corn, oats and barley during October-December was 5 percent larger than in that period of 1947. Disappearance of feed grains, especially corn, is expected to be substantially larger during January-September this year than last.

WHEAT

After advancing from early August to late December, wheat prices declined in January. No. 2 Hard Winter, ordinary protein, brought \$2.19 per bushel at Kansas City on January 31 compared with \$2.28 on December 29 and the loan equivalent of \$2.23.

Stocks of wheat on January 1 were estimated at 857 million bushels. October-December disappearance was about 291 million bushels. Approximate distribution of this quantity, in million bushels, is as follows: Food, 130; seed, 32; feed, 13; and exports 116. With very large supplies of feed grains, wheat feeding has been reduced to very low levels.

The supply and disappearance for the year ending June 30 are now estimated as follows: Total supply 1,484 million, consisting of July stocks of 196 and a crop of 1,288. Total disappearance 1,185 million, consisting of approximately 490 for food, 95 for seed, 100 for feed and

estimated exports of 500 million. July-December exports totaled 271 million bushels. If exports for the year total 500 million, the carry-over July 1, 1949 will be about 300 million bushels, which compares with 255 million the 1932-41 average, and the record large carry-over of 631 million in 1942.

About 120 million bushels of wheat still need to be procured if 1948-49 exports are to reach 500 million bushels. CCC stocks on July 1 plus purchases through January 31 totaled 290 million bushels. Since July 1 private concerns purchased about 90 millions for export, CCC purchases through January 31 are sufficient to cover the agency's export program for both wheat and flour through February. Of the 120 million bushels still to be procured, about 95 million bushels, mostly wheat, would be obtained by the CCC. The rest, almost all flour, would be handled by private concerns. The quantities to be procured by the CCC will be obtained in part by deliveries under the loan program.

There were about 235 million bushels of 1948 wheat under CCC loan on December 31, the closing date for the program. In addition, there were 108 million bushels under purchase agreement, making a total of about 343 million bushels for both programs.

Ordinarily it would be expected that prices at this time of the year would be above loan rates. If prices should advance enough to cover loan costs, selling by farmers would follow and this would reduce the quantity of wheat delivered to CCC. Under such conditions, the possible 300 million-bushel carry-over could be expected to include sizeable market stocks necessary for mills and transit before new crop supplies become available. If, however, prices continue below loan levels plus costs, it would be expected that such wheat would be delivered to CCC. The maturing date for loans is April 30, while under the agreements, the CCC will accept delivery at the loan rates between May 1 and May 30, 1949. With deliveries to CCC heavy, market supplies would become limited, and it might become desirable for CCC to release some of its holdings in the domestic market.

To establish a price floor for a situation of this kind the CCC, on December 10, 1948, announced that during the 1949 calendar year domestic sales of CCC--owned-or-controlled farm commodities generally will be made at not less than the lowest of the following: (1) a price that will reimburse CCC for its costs; (2) 90 percent of the parity price; and (3) a price halfway between the support price and parity.

Reports received to date indicate some expansion in world winter wheat acreage. In addition to the large acreage seeded in the United States, some further increase is expected in Europe, including the Soviet Union. Growing conditions in late 1948, while generally satisfactory, were not as favorable in some areas as a year earlier. Australia harvested another good wheat crop but the Argentine harvest is well below average. Moisture reserves up to freezing time in Canada were only 64 percent of normal, compared with 121 percent a year earlier.

FRUIT

Prices for most fruits this winter are expected to continue slightly higher than a year earlier, mainly because of smaller supplies. Cold-storage stocks of apples and pears on January 1 were considerably smaller than on January 1, 1948, and citrus supplies have been reduced by January freezes.

Reduced shipments of citrus fruits in late December and early January and the prospect of some reduction in supplies for shipment later in the season, because of freeze damage, resulted in rising prices on the terminal markets in early January in contrast to the usual post-holiday declines. But with increased shipments later in the month, most of the gains in price was lost. Prices in February and March are expected to continue moderately higher than in the same months of 1948. In Florida, total utilization of oranges and grapefruit has been larger through January 22 this season than last, while in Texas utilization of grapefruit has been about the same; California utilization of oranges has been much smaller as a result of a late-starting season. Exports of Florida oranges and grapefruit have been considerably larger this season than last.

Grower and terminal market prices for apples have been moving upward since October, mainly because of the small crop. Prices in January were substantially higher than in January 1948. With cold-storage stocks of apples on January 1 about 40 percent smaller than a year earlier, prices are expected to rise further during late winter and early spring. Imports of apples from Canada are moderately larger thus far this season than last, but they are small compared with total domestic movement. Even though cold-storage stocks of pears January 1 were 27 percent smaller than a year earlier, they were large enough for usual domestic uses, and only small increases in price seem likely this winter.

Cold-storage stocks of frozen fruits on January 1 were about 10 percent smaller than stocks on January 1, 1948. Total packer and wholesaler stocks of most of the important canned fruits were moderately larger on January 1, 1949 than a year earlier. Increases in packer stocks more than offset reductions in wholesaler stocks.

COMMERCIAL TRUCK CROPS

For Fresh Market

Because of lighter supplies and continued strong demand, prices received by farmers this winter probably will be higher than last winter for lima beans, snap beans, celery, and cucumbers. On the other hand, larger production and lower prices are expected this January, February and March than last year for carrots, eggplant, escarole, kale, and tomatoes. Prices for fresh winter cabbage probably will be lower than a year earlier, in spite of smaller fresh supplies, because of the larger carry-over of storage supplies. The carry-over of dry onions in storage is considerably above average. Total commercial supplies of winter vegetables will be slightly smaller than in the first quarter of 1948, but substantially larger than the 1938-47 average for the winter season.

For Processing

Demand for canned and frozen vegetables is expected to continue strong through the winter season. Combined packers' and wholesale distributors' stocks of most canned vegetables are smaller than a year earlier and are not considered burdensome with the possible exception of canned sweet corn, green peas and tomato juice.

December 1 stocks of frozen vegetables this year were only slightly smaller than a year earlier, with heavier stocks in 1948 on lima beans, snap beans, broccoli, and cauliflower. In the preliminary production guides recommended by the Department for consideration by the States, a reduction in total acreage of vegetables for processing has been suggested. Acreage recommendations for 1949: the same as the acreage harvested in 1948 for green peas and spinach; increases of 10 percent for beets, 5 percent for snap beans, and 5 percent for tomatoes; and reductions of 5 percent for lima beans and sweet corn, 9 percent for cabbage for kraut, and 10 percent for cucumbers for pickles. In general, prices offered to growers in contracts for processing crops for 1949 are expected to be near those paid in 1948.

POTATOES AND SWEETPOTATOES

Prices received by farmers for potatoes in February and March are expected to rise at least seasonally. Prices probably will be substantially below those received in the same months last year. Monthly average prices received by United States farmers for potatoes have been lower than 90 percent of July 1, 1948 parity in each month, July through December, 1948. However, in February and March, 1949, it is expected that the monthly price will average somewhat above the 90 percent of parity level.

January 1, 1949 stocks of merchantable potatoes were the second highest of record. Through February 2, the Government had purchased more than 94 million bushels of potatoes for price-support.

Prices received by farmers for 1948-crop certified seed potatoes probably will average lower than prices received for the 1947 crop. Production of certified seed potatoes was about 10 percent more than the previous record produced in 1947. In both 1947 and 1948 the total production of certified seed was about double the total quantity of seed potatoes sold, including uncertified. It again will be necessary for farmers to sell a large part of their certified seed potatoes in table-stock channels. Although there is no Government price support on seed potatoes as such, eligible growers are assured of a considerable measure of support for their potatoes when sold as table stock. The difference between prices for seed and table stock has tended to disappear in recent years as production of certified seed potatoes expanded rapidly.

Sweetpotato prices received by farmers in February and March are expected to rise somewhat less than seasonally, but may average somewhat higher than a year earlier because of the shorter supplies available this year.

COTTON

Spot prices of cotton were slightly higher in January than at any time this season. The average price for Middling 15/16" in the 10 markets ranged from 32.16 to 33.01 cents per pound during January and averaged 32.59 for the month, compared with 32.17 for December. Current prices are about 1 1/2 cents per pound below those of a year ago.

Reported sales in the spot markets for the week ending January 27 were 228,000 bales compared with 257,400 for the preceding week and 95,800 for the corresponding week a year ago. Farmers are reported to be still holding their better cottons off the market and offering only their lower grades. Loan entries continue to increase with 4,402,000 bales reported under loan as of January 27.

Domestic mill demand continues to be only moderate, but export demand has increased in recent weeks. Exports of American cotton in November were 428,000 bales, which brought the season's total to 960,000 bales compared with 458,000 a year ago. This increase in exports over last season has been due to increased takings by ECA countries. From August through November, exports to these countries totaled 631,000 bales or 66 percent of all exports. In the same period last season these countries took only 117,000 bales or 26 percent of the total exports. ECA purchase authorizations for cotton from April 3, 1948 to December 31, 1948, totaled over 280 million dollars plus another 70 million dollars to China. This amounts to 2 million bales of which 400,000 were for China. Since the beginning of the season on last August 1, purchase authorizations have totaled 225 million dollars (1,298,000 bales) to ECA countries and 15 million dollars (100,000 bales) to China.

Domestic mill consumption in December was 681,000 bales, compared with 685,000 bales in November, and 755,000 a year ago. For the five months, August-December, mill consumption totaled 3,530,000 bales, nearly 7 percent below the corresponding period for last year when the seasons' total was 9.3 million bales.

WOOL

World demand for wool continued strong when foreign auctions were reopened early in January. Prices for most types set new records. Quotations for super merino types were from 5 to 10 percent higher than at the closing of sales in December. Most crossbred wools were slightly higher.

The 1949 wool price support program will provide a national average wool price to growers of approximately 42.3 cents per pound, grease basis, the same as in 1948. However, changes from the 1948 purchase prices were made for certain grades and types of shorn and pulled wool. Reductions were made for the least desirable types, while prices for the better types were increased. Domestic worsted type pulled wools, 50's and finer, were increased from 1 to 3 cents per pound. Scoured and carbonized wools were reduced from 1 to 7 cents. Scoured paint wools, black, gray, and shank wools were all reduced 5 cents per pound.

Strong domestic demand for wool and the higher replacement costs of foreign wool have resulted in a sharp reduction in wool stocks in the United States. Commodity Credit Corporation holdings were reduced by more than 200 million pounds, grease basis, during 1948. Stocks of apparel wool held by mills, dealers, and the CCC on January 1, 1949, were about 20 percent smaller than at the beginning of 1948.

Imports for consumption of dutiable wool during January-November 1948, totaled 396 million pounds, actual weight basis. This was 25 million pounds or 6 percent less than the quantity imported during the same period last year. Imports for consumption of 323 million pounds of duty-free wool were 76 percent greater than in 1947. Imports during November, however, were 19 percent less than in the same month of 1947.

Domestic mills consumed 448 million pounds, scoured basis, of apparel wool during January-November. The average weekly rate of consumption during this period was about 5 percent below the rate for the same period in 1947. Average weekly consumption during November 1948 was about 20 percent below November 1947. Consumption of carpet wool totaled 189 million pounds, scoured basis, 30 percent greater than during 1947.

TOBACCO

Demand for Burley tobacco continued strong during January. By the end of the month, the great bulk of the 1948 crop had been sold. Prices for Burley auction sales (including resales) for the season thus far have averaged 46.4 cents per pound, slightly less than the record of 48.5 cents per pound received for the 1947 crop. The support price for the 1948 Burley crop based on 90 percent of the September 15, 1948, parity is 42.4 cents per pound. About 13 percent of the season's marketings through January were placed under Government loan. The support price for the 1949 crop of Burley, fire-cured, and dark air-cured tobacco is likely to be lower than for this season since the Burley support is expected to be down moderately by the fall of 1949.

Virginia fire-cured tobacco, type 21, has been selling at slightly above the support level, but Kentucky-Tennessee, types 22-23, have averaged slightly below support. The fire-cured support price based on 75 percent of the Burley loan rate is 31.8 cents per pound. For the gross sales of the 1948 crop through late January, Virginia fire-cured averaged 32.7 cents per pound, 13 percent above last season's average. For the first 3 weeks of auction sales in January, Kentucky-Tennessee fire-cured in the eastern district, type 22, and in the western district, type 23, averaged 31.8 cents and 29.5 cents per pound, respectively, compared with 31.1 cents and 27.4 cents in January 1948.

Dark air-cured tobacco, types 35-37, has a 1948 crop support price of 28.3 cents per pound. This is based on 66 $\frac{2}{3}$ percent of the Burley support price. Prices for the season's gross sales through late January averaged 28.8 cents per pound, 12 percent above those for the same period last season. Substantial quantities of both dark air-cured and fire-cured tobacco have been placed under government loan.

Cigar filler tobacco, which is mostly marketed at the "barn door", is expected to bring about the same prices as last season when it averaged 31 cents.

United States tax-paid consumption of cigarettes in December was estimated at 25 billion, the same as December a year ago. The 1948 tax-paid consumption approximated 349 billion compared with 335 billion in 1947. Tax-paid withdrawals of large cigars in December 1948 were slightly less than December 1947 but for the year 1948, totaled 5,773 million, 2-1/2 percent above 1947. Consumption of manufactured tobacco in 1948 was about the same as 1947. The small rise in smoking tobacco offset a slight decline in chewing tobacco. Snuff consumption at 41 million pounds in 1948 was 2 million pounds greater than in 1947.

November 1948 exports of unmanufactured tobacco were substantially lower than those of November 1947 since the labor-management dispute involving long shorermen and shipping companies on the east coast halted shipments during much of the recent month.

SUGAR

Domestic sugar prices should be higher in 1949 than in 1948. The present wholesale price of refined sugar at 8 cents a pound is about one cent below the price objective defined in the Sugar Act.

A drop in world price of sugar, f.a.s. Cuba, is expected in 1949. The contributing factors are the record 1948-49 world crop, the decrease in export markets for Cuban sugar because of the increase in production in important importing countries in Europe, the increasing availability of exports from countries not requiring dollar exchange, and the decrease in the Cuban sugar quota for the United States in 1949. The amount of sugar to be purchased by the United States for foreign feeding programs will be an important factor in determining the size of the Cuban stocks carry-over at the end of 1949.

Domestic sugar prices averaged lower in 1948 than in 1947. The average wholesale price of raw sugar was 5.56 cents per pound compared with an average of 6.22 cents in 1947, a decline of almost 11 percent. The average wholesale price of refined sugar in 1948 was 6 percent lower than in 1947, 7.62 cents as compared to 8.12 cents, while the average retail price was 3 percent lower, 9.4 cents as compared to 9.7 cents.

Deliveries of sugar by primary distributors amounted to 7,341 thousand tons in 1948. Deliveries for the first few months in 1949 will be substantially heavier than in 1948. After remaining steady throughout the second half of 1948 wholesale refined prices advanced from 7.75 to 8.00 cents the first week in January. Before the price advance became effective refiners allowed the trade to make contracts for future delivery if bids were submitted promptly. Bookings were heavy, and contracts are believed generally to have covered requirements for an extended period of time. Besides raising the basic price refiners also announced increased differentials for special packaging.

U. S. Department of Agriculture
Washington 25, D. C.

Penalty for private use to avoid
payment of postage \$300

OFFICIAL BUSINESS

BAE-DPS-2/49- 4600
Permit No. 1001

